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Annual ministerial review: strengthening efforts to eradicate poverty and hunger, including through the global partnership for development

Note verbale dated 28 June 2007 from the Permanent Mission of Brazil to the United Nations addressed to the President of the Economic and Social Council

The Permanent Mission of Brazil to the United Nations presents its compliments to the President of the Economic and Social Council and has the honour to request that the attached report of the Latin America and the Caribbean regional preparatory meeting for the annual ministerial review of the Council, held in Brasilia on 17 and 18 May 2007 (see annex), be circulated as a document of the Council for consideration at its substantive session of 2007.

At the regional preparatory meeting, the theme of the annual ministerial review, "Strengthening efforts to eradicate poverty and hunger, including through the global partnership for development", was examined from the perspective of the countries of Latin America and the Caribbean. The present report, prepared by the Department of Economic and Social Affairs of the United Nations Secretariat, is considered by the Government of Brazil to be a complete and faithful reflection of the outcome of the discussions held at the preparatory meeting. The Government of Brazil is firmly convinced that the report will constitute a valuable contribution to the discussions on the theme of the annual ministerial review of 2007.

* E/2007/100 and Corr.1.

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Annex to the note verbale dated 28 June 2007 from the Permanent Mission of Brazil to the United Nations addressed to the President of the Economic and Social Council

Report of the Latin America and the Caribbean regional preparatory meeting for the annual ministerial review of the Economic and Social Council: "Key challenges in financing poverty and hunger eradication efforts in Latin America and the Caribbean"

Brasilia

17 and 18 May 2007

Summary

As part of the new annual ministerial review process of the Economic and Social Council, a regional preparatory meeting for countries of the Latin America and the Caribbean region was held in Brasilia on 17 and 18 May 2007, hosted by the Government of Brazil. The theme of the meeting was "Key challenges in financing poverty and hunger eradication efforts in Latin America and the Caribbean". Organized as a multi-stakeholder event, with the participation of senior individuals in an expert capacity, the consultations consisted of plenary meetings and panel discussions, which were attended by over 90 delegates.

Key policy messages

The following major messages emerged from the discussions:

(a) The needs of middle-income developing countries are not being adequately addressed within the existing financing for development framework. Middle-income countries in Latin America still lack a self-sustaining financial capacity to fund development efforts, and because they receive low levels of external financing, most countries in the region rely on national development strategies and regional frameworks for trade and cooperation, complemented by efforts by civil society and the private sector. Development partners have an obligation to increase overall levels of aid as well as to ensure that middle-income countries are not overlooked as recipients;

(b) Inequality remains a central challenge for much of Latin America. In general, growth is an effective tool in combating poverty in poorer countries, while decreasing inequality has a greater impact on extreme poverty in middle-income countries with higher levels of inequality. Governments should implement combinations of growth and inequality reduction policies that maximize poverty reduction. National social welfare programmes, such as Brazil's conditional cash transfer programme, "Bolsa Familia", have explicitly targeted inequality and have led to a decline in extreme poverty in Latin America. Hoping to reproduce Brazil's success, other Governments are replicating the programme both within and outside the region;

(c) The effective use of trade opportunities can help countries to fight poverty. To promote international trade as an engine for development, economic growth and employment, it is critical that States fulfil their commitments to develop a universal, rule-based, open, non-discriminatory and equitable multilateral trading system and to liberalize trade. Commodity pricing remains an area of concern for many countries in the region;

(d) Because growth alone cannot combat income inequality, employment generation and decent work must become higher national policy priorities, and further progress in mainstreaming equity across public sector policies is critical. Policies that support investment, growth and entrepreneurship are essential to job creation efforts;

(e) To mobilize more domestic funds, Governments should improve tax collection and raise the tax burden, which is presently relatively low, especially in Latin America. Efforts should also be taken at an international level to reduce tax evasion;

(f) Acknowledging the likelihood that aid levels will remain below the target of 0.7 per cent of gross national income (GNI) in the near future, innovative sources of financing, including global taxes and funds, are being fostered. Initiatives such as the solidarity airline tax proposed by the International Drug Purchase Facility and the special drawing rights available through the International Monetary Fund were welcomed. Private sector-funded social programmes that work in parallel to government efforts were also recognized as vital in making up for the funding gap;

(g) Increased South-South cooperation is seen as a valuable tool for increasing the efficiency and effectiveness of development interventions, as countries with commonalities collaborate to solve similar problems and share experiences. Middle-income countries should increasingly serve as sources of cooperation, playing a larger role in South-South cooperation between themselves and with lower-income countries; however, this should not overshadow the status of middle-income countries as recipient nations;

(h) Increasing the availability of inclusive microfinance services, complemented by capacity-building for beneficiaries, offers great promise to empower the poor to pull themselves out of poverty. However, relatively few people in the Latin America and the Caribbean region have access to microfinance services, and the existing regulatory environment in most countries is not conducive to the rapid growth of this sector. Governments must create a regulatory environment conducive to the formalization and growth of microfinance institutions. Regulations should allow financial services to become more diversified and to permit the collaboration of microfinance institutions and commercial banking institutions;

(i) Climate change threatens to roll back progress made against poverty, hunger and the other United Nations Millennium Development Goals throughout the region. The Caribbean countries, in particular, are vulnerable to natural disasters and the consequences of climate change;

(j) As the central body for United Nations system-wide coordination in the economic, social and related fields, a strengthened Economic and Social Council will be a platform for ensuring effective implementation of the United Nations development agenda and a forum for promoting greater coherence among the development activities of different development partners and for strengthening the normative and operational links in the work of the Organization. The Council's annual ministerial review in July 2007 has the potential to serve as a catalyst for the implementation by strengthening accountability, greater cooperation and political engagement;

(k) The Governments of the Latin America and the Caribbean region have an interest in engaging more strategically with the Economic and Social Council, especially in the framework of the annual ministerial reviews, to further the region's development goals. They should prepare to share strategic and innovative responses to the specific challenges facing their countries at the annual ministerial review process and should take the opportunity to develop new opportunities for South-South cooperation.

I. Introduction

1. At the 2005 World Summit, Heads of State and Government mandated the Economic and Social Council to hold annual ministerial-level substantive reviews as part of its high-level segment, in order to review progress made in the implementation of the outcomes of United Nations conferences and summits and to assess its impact on the achievement of the goals and targets of those conferences and summits.

2. The first annual ministerial review, which is to be held on 3 and 4 July 2007 at the United Nations Office at Geneva, has the potential to serve as a catalyst of implementation by providing a global high-level forum where a systematic review of progress can take place and by offering a platform for an exchange of lessons learned and successful practices and approaches that should be emulated and disseminated more widely.

3. The 2007 annual ministerial review, the theme of which is "Strengthening efforts to eradicate poverty and hunger, including through the global partnership for development", will consist of a global review of progress made in the implementation of the above-mentioned outcomes, with a partial focus on Millennium Development Goal 1. Six countries (Bangladesh, Barbados, Cambodia, Cape Verde, Ethiopia and Ghana) will inform the Council of progress they have made in implementing their national development strategies in voluntary national presentations. In conjunction with the ministerial review, there will be an "Innovation fair", promoting an exchange of practical examples of what has worked, and what has not worked, to help identify which policies and programmes are candidates for replication and further dissemination.

4. Rather than being an isolated event, the annual ministerial review is to be a multifaceted process, consisting of a global e-discussion on the eradication of poverty and hunger facilitated by the United Nations Development Programme (UNDP) (14 February-16 March 2007); a global preparatory meeting (2 April 2007, New York); national consultative meetings (various dates and locations within the six countries undertaking voluntary national reviews); and a regional consultation (17-18 May 2007, Brasilia).

5. On 17 and 18 May 2007, the Government of Brazil, with the support of the Department for Economic and Social Affairs of the United Nations Secretariat and the Economic Commission for Latin America and the Caribbean, hosted the first-ever Latin America and the Caribbean regional preparatory meeting in preparation for the first annual ministerial review of the Economic and Social Council. The theme of the event was "Key challenges in financing poverty and hunger eradication efforts in Latin America and the Caribbean".

6. The objective of the meeting was to bring together experts and representatives of Governments of the region, along with members of the United Nations system and civil society, to examine emerging trends and challenges in the area of financing efforts to eradicate poverty and hunger and to discuss traditional and innovative sources of financing to eliminate these scourges. It was hoped that such a preparatory event would facilitate an informed and lively dialogue among stakeholders at the ministerial review in July 2007. In addition, the meeting would ensure that the countries of the Latin America and the Caribbean region make a contribution to the review regarding the progress they have made in implementing

the Millennium Development Goals, including best-practices and lessons learned that could contribute to the advance and expand activities to achieve the internationally agreed development goals.

7. The meeting was opened with a keynote address by Patrus Ananias, Minister for Social Development and the Fight against Hunger of Brazil. At the first session, statements were made by José Antonio Ocampo, Under-Secretary-General for Economic and Social Affairs of the Department of Economic and Social Affairs of the United Nations, and Ambassador Léo Mérorès, Vice-President of the Economic and Social Council. José Luis Machinea, Executive Secretary of the Economic Commission for Latin America and the Caribbean, also presented the background paper entitled "Emerging trends in official development assistance and its impact on financing poverty and hunger eradication in Latin America and the Caribbean".[a] Two panel discussions were subsequently held on the themes "Innovative sources of financing for poverty eradication" (see enclosure 1) and "Traditional financing instruments for poverty eradication" (see enclosure 2). The event also featured presentations by Governments, entities of the United Nations system and representatives of civil society on best practices for fighting poverty and on concrete initiatives.

8. Some 90 delegates participated in the consultations, including representatives of 23 countries from the region. Twelve United Nations and related entities participated, as well as representatives of six civil society organizations and a private sector organization.

II. Opening of the regional preparatory meeting

9. The opening of the meeting, held on the evening of 17 May 2007, set the tone for the dialogue held on 18 May.

10. Ambassador Everton Vieira Vargas, Under-Secretary of Political Issues I, Ministry of External Relations, Brazil, Nikhil Seth, Director, Office for Economic and Social Council Support and Coordination, Department for Economic and Social Affairs and Kim Bolduc, Resident Coordinator of the United Nations in Brazil, delivered short statements welcoming the participants to the meeting. A keynote address was delivered by Patrus Ananias, Minister for Social Development and the Fight against Hunger of Brazil.

11. At the opening session, it was highlighted that, despite the fact that most countries in the region are classified as middle-income developing countries, Latin America and the Caribbean nations do not have adequate resources to eradicate poverty and hunger and continue to face significant challenges in improving the lives of the indigent and malnourished. While the global partnership for development, articulated in Millennium Development Goal 8 and in the 2002 Monterrey Consensus of the International Conference on Financing for Development, calls upon developed countries to contribute funds to fill the resource gap needed to meet the internationally agreed development goals, donors have not yet fulfilled their commitments. And while official development assistance (ODA) worldwide has increased in total since 2002, it has declined in the Latin America

[a] Available at http://www.un.org/docs/ecosoc/meetings/2007/amr2007/brasilia.html including the programme of work, statements, presentations and the list of participants.

and the Caribbean region. Consequently, sources of innovative financing are being explored to complement traditional sources of funding. South-South cooperation is also increasingly important for the sharing of experiences and the exchange of best practices. Brazil is actively partnering within the region and in Africa, promoting its success with social programmes that have managed to significantly reduce inequality among its citizens.

12. Ambassador Vieira Vargas opened the meeting, placing the regional consultations in the context of the larger annual ministerial review process, which will culminate in the holding of the first annual ministerial review in July at the United Nations Office at Geneva during the high-level segment of the Economic and Social Council. The theme of the review, "Strengthening efforts to eradicate poverty and hunger, including through the global partnership for development", was of particular interest to Brazil. Although the region was largely considered to be middle income and possesses substantial wealth in natural resources, great numbers of poor and malnourished people reside in Latin America and the Caribbean. Ambassador Vieira Vargas welcomed the meeting as a valuable opportunity for the Latin America and the Caribbean region to contribute to the work of the Council.

13. Mr. Seth noted that the regional preparatory meeting, the first-ever such meeting to be held for the annual ministerial review of the Economic and Social Council, would set the example for future regional meetings. He reported that while progress on poverty eradication was on track against the 2015 timeline in all regions except Africa, chronic malnutrition remained largely unchanged from 1990 base levels. Consequently, he urged more targeted policies against hunger. Moreover, in order to address entrenched poverty in rural areas, he recommended a balance between the creation of social infrastructure and investment in economic infrastructure. He noted that global challenges such as climate change, land degradation, desertification and conflict threaten to exacerbate poverty and hunger.

14. Ms. Bolduc stated that Latin America's present resources are not sufficient to eradicate poverty and welcomed the meeting as an opportunity to examine the regional challenges in financing development. The regional meeting for the annual ministerial review was an opportunity to bring together the countries of the region that are taking similar steps to reduce poverty and hunger. South-South cooperation was particularly valuable for middle-income countries, which are not receiving sufficient levels of aid from development partners. Highlighting the role of the United Nations in the fight against poverty and hunger, she called for deeper partnership and greater solidarity among nations to further development.

15. Minister Ananias delivered a keynote address on "Emerging trends and challenges in financing for the eradication of poverty and hunger". The Minister recognized the important role of the Economic and Social Council in promoting and guiding cooperation among States and in promoting economic and social development to decrease inequality and increase living standards of the world's population. He welcomed the meeting as an occasion to assess the challenges faced and the progress achieved in funding efforts for the eradication of poverty and hunger.

16. The International Conference on Financing for Development, held in Monterrey, Mexico, in 2002, produced a consensus on the imperative of committing all countries to the eradication of poverty and the promotion of economic growth and sustainable development, including through an equitable and stable global

economic system. Since economic growth alone has not generated better living conditions for the poorest, mobilizing and expanding financial resources to achieve the Millennium Development Goals is an important step in ensuring that the twenty-first century becomes the century of development for all. Regrettably, donors have only met half of their aid commitments.

17. Warning that "hunger cannot wait", the Minister outlined efforts by Brazil, France and Chile to mobilize innovative sources of finance for development, including taxes on international financial transactions, weapons and pollution, and emphasized the importance of development funds, such as the Global Fund against Hunger and Poverty. Another initiative, the International Drug Purchase Facility (UNITAID) to fight AIDS, malaria and tuberculosis, is funded by solidarity taxes on airline tickets. These sources are intended to complement, not replace, traditional sources of funding.

18. Successful actions taken by the Government of Brazil to create public policy that responds to the country's development priorities include the "Bolsa Familia" conditional cash transfer programme and the "Zero Hunger" programme. The Government's strong network of social programmes has managed to significantly reduce inequality within the country, improving the standard of living of millions and shrinking malnutrition rates. The Minister highlighted Brazil's efforts to cooperate and share experiences with developing countries, particularly in the Latin America and the Caribbean region and in Africa.

19. Minister Ananias asserted that the right to food must be a central part of public policy. To achieve this, adequate and predictable funding must be available, including through ODA. He encouraged all countries to work together to promote shared international values.

III. Proceedings of the regional preparatory meeting

20. The first session of the regional preparatory meeting, held on 18 May 2007, consisted of introductory statements from representatives of the host country, the co-organizers of the event and the leadership of the Economic and Social Council. Together these laid the groundwork for the discussions held over the course of the meeting.

21. Ambassador Vieira Vargas presented a welcome message on behalf of the Government of Brazil. Mr. Seth delivered a message from José Antonio Ocampo, Under-Secretary-General for Economic and Social Affairs, and distributed a message from Ambassador Léo Mérorès, Vice-President of the Economic and Social Council. José Luis Machinea, Executive Secretary of the Economic Commission for Latin America and the Caribbean, presented a background paper entitled "Emerging trends in official development assistance and its impact on financing poverty and hunger eradication efforts in Latin America and the Caribbean".

22. The first session illustrated how the new Economic and Social Council, strengthened by the 2005 World Summit, will encourage better-informed, innovative, collaborative action towards achieving the Millennium Development Goals by 2015. One of the new functions of the Council, the annual ministerial review, can provide a significant contribution as a forum to monitor and assess progress in the implementation of the United Nations development agenda, where

developing and developed countries are held accountable for the commitments they have made. As the first of the regional consultations, the meeting in Brasilia will set a strong precedent for future consultations. Ambassador Vieira Vargas urged participants to use this opportunity to provide strategic and innovative input to the annual ministerial review.

23. Despite having generally made good progress in implementing the Millennium Development Goals, several challenges hamper the countries of the Latin America and the Caribbean region from realizing the internationally agreed development goals, namely: persistent inequality; risk of financial crisis; constraints to long-term trade growth of middle-income countries; the shortcomings of the partnership for development; and insufficient attention to middle-income countries. Current levels of ODA will not suffice to finance achievement of the Millennium Development Goal targets. Increases in the level and effectiveness of ODA flows could have a significant impact on the capacity of the countries of the region to reach the Goals. However, ODA directed towards the region has declined relative to other regions, and the upper-middle income countries account for an insignificant portion of Latin America's total ODA. The Heavily Indebted Poor Countries Initiative has delivered mixed results to recipient countries in the region. Consequently, innovative sources of development finance, including global taxes and global funds, are being used to supplement traditional sources of assistance. The middle-income countries of the region have been encouraged to participate in these mechanisms.

24. In his message to the meeting, Ambassador Mérorès addressed the following three main points.

The role of the Economic and Social Council in achieving the Millennium Development Goals

25. The Economic and Social Council is at the beginning of a new era triggered by the 2005 World Summit Outcome (General Assembly resolution 60/1), in which the Council was given new functions, including the annual ministerial review. The strengthened Council will be a platform for ensuring effective implementation of the United Nations development agenda, a forum for promoting greater coherence among the development activities of different development partners and for strengthening the normative and operational links in the work of the Organization and a true parliament for development through closer links with the implementation activities of, inter alia, governments, intergovernmental bodies, non-governmental organizations and international financial institutions at both the regional and the national levels. The annual ministerial review will stimulate better-informed, innovative, collaborative action towards meeting all of the Millennium Development Goals by the target date of 2015. The regional consultations in Brasilia, a pioneering and trend-setting event that is part of a larger consultation process, will serve as a model for future regional meetings, which will be an institutionalized part of future annual ministerial reviews.

Special challenges faced by small island developing States

26. The 22 small island developing States in the Latin America and the Caribbean region face many development challenges that contribute to the persistence of poverty and threaten food security, including: remoteness; vulnerability to both natural disasters and external shocks; and heavy dependence on international trade.

As a consequence, they must rely on development partners to help compensate for nature's shortcomings.

Special challenges faced by countries emerging from conflict

27. Poverty and malnutrition often plague the citizens of countries emerging from conflict. When wars end, there is typically a surge in aid as well-meaning donors respond to post-conflict needs, but the timing of the inflow may not be appropriate, arriving too soon or tapering out too early. Consequently, maximizing the effectiveness of aid to countries emerging from conflict with a view to their transitioning to long-term development requires careful and strategic planning involving both donors and recipients.

28. In his statement, Mr. Ocampo highlighted several challenges facing the Latin America and the Caribbean region in realizing the internationally agreed development goals.

Persistent income inequalities

29. Income inequalities persist, especially between skilled and unskilled workers, between regions, and between urban and rural areas. There has been slow progress in closing the gender gap in employment, wages and working conditions. Promoting fair and decent work is an essential part of reducing income inequality. Targeted distributional policies (such as Brazil's "Bolsa Familia" programme) and strengthened capacity of the public sector in addressing the relationship between economic growth and social equity also contribute towards the overall objective of promoting equity and fairness in society.

Volatility in the Latin America and the Caribbean region

30. Massive, highly procyclical capital movements remain a potential threat. Consolidating good macroeconomic management, securing adequate space for countercyclical macroeconomic policies and developing deep domestic financial markets in local currencies can help reduce risks arising from abrupt capital movements and the effects of crises.

Constraints inhibiting the productive transformation process

31. Progress in consolidating the productive transformation process and moving into more dynamic areas of specialization with a higher technological content and greater value-added is key to the long-term trade growth of middle-income countries. Such growth however, is constrained by domestic capacities and by the international trading system.

The unfulfilled promise of the global partnership for development

32. Although there has been progress in several areas of the global partnership for development set out in the Millennium Declaration and the Monterrey Consensus, developing countries are concerned that the partnership has not lived up to expectations, particularly in the areas of trade, participation of developing countries in international economic decision-making, reduction of the vulnerability of developing countries to financial market volatility and guaranteeing the stability of the international monetary system. Allowing this lack of progress to continue may

have a negative impact on cooperation in other important areas, and should be a matter of concern to all Governments.

The decrease of official development assistance to middle-income countries

33. Middle-income countries largely feel left out of the current system of international cooperation. Assistance provided by the international community to the poorest countries of the world, particularly in sub-Saharan Africa, should not preclude adequate attention to middle-income countries, where two fifths of the world's population live on less than two dollars a day. This situation requires a new approach to development cooperation in relation to middle-income countries. Development-friendly rules in the areas of finance, trade and technology are perhaps more important than ODA directed towards these countries, which is likely to continue to be limited. Stable access to both multilateral and private financing is also more important than development assistance.

34. In his statement, Mr. Ocampo also indicated how the new functions of the Economic and Social Council have the potential to provide a platform for increased accountability and greater cooperation and political engagement. The annual ministerial review can become the fulcrum for effective action at the national, regional and global levels with its national voluntary presentations, regional consultations and global discussion during the high-level segment. The Council has the potential to help strengthen the foundations of the global partnership for development with the forthcoming session emphasizing the implementation of commitments made in the area of development.

35. Mr. Machinea presented an ECLAC background paper, "Emerging trends in official development assistance and its impact on financing poverty and hunger eradication in Latin America and the Caribbean".

Trends

36. The report revealed that countries in Latin American and the Caribbean are, on average, on the right track for meeting the Millennium Development Goal 1 targets to halve poverty and hunger by 2015. However, even if the region succeeds in meeting the targets, the Commission estimates that 65 million people will remain below the poverty line and that there will still be 40 million malnourished people in the region as of 2015.

A. Poverty

37. Evidence shows that, after stagnating during the period from 1997 to 2002, poverty and indigence rates have fallen sharply in the region in recent years but that the percentage of people living in poverty is still close to the 1980 figure. In absolute terms, there are more poor people now than in the 1980s, 205 million in 2006, compared with 136 million in 1980. Extreme poverty rates in the region differ considerably across countries. The nations with the highest levels of extreme poverty and lowest per capita incomes are facing the most difficulties, and they are the most likely to fail to meet the poverty target by 2015. Among other things, higher, more stable rates of growth are needed throughout the region if it is to meet the poverty reduction target. A low tax burden, especially in Latin America, presents Governments with an opportunity to raise more domestic revenue.

38. The data presented in the report of the Commission indicate that unequal income distribution is an important factor in explaining the high rates of poverty in the region, especially in Latin America, where inequality is a much bigger problem than in the Caribbean. There are three primary reasons for the reduction of poverty in certain areas, namely: higher growth; increasing employment; and rising per capita social expenditure. While growth does help to reduce poverty, the extremely poor need jobs and social programmes to improve their lives. Brazil's "Bolsa Familia" programme, which has helped to reduce indigence, has been adopted by many countries in the region that have launched similar conditional transfer programmes.

B. Hunger

39. Progress in reducing hunger and malnutrition has generally been slower than in reducing poverty. Five countries have met the target on hunger, but many others are lagging or have suffered setbacks. Five countries (the Bolivarian Republic of Venezuela, Brazil, Colombia, Haiti and Mexico) account for almost two thirds of the total undernourished population in the region. The countries with the highest rates of undernourishment and extreme poverty are also the ones that will continue to post the highest rates of population growth in the coming decade.

Traditional financing for development

40. Development assistance is important to the achievement of the Millennium Development Goals and other development objectives. Development funding is mainly provided through ODA and, to a lesser extent, under debt relief initiatives.

C. Official development assistance flows

41. Global ODA flows have increased since 2002, but still fall far short of the targets set out in the Monterrey Consensus. Generally, aid has been applied towards social spending in larger quantities than in the past, with an attendant decline in investment in infrastructure and productive industries. Official assistance has also been channelled mainly towards lower income countries, however, in absolute terms, there are more poor people in middle-income countries in Latin America than in lower-income countries. The region has lost ground in terms of its share of assistance, with Asia and Africa dominating as recipient regions. Within the region, ODA has fallen more sharply in the upper-middle-income countries. As the economies of the Latin America and the Caribbean region converge towards the global upper-income bracket, it is expected that their share of ODA will decline over time. The middle-income countries of the region still lack a self-sustaining financial capacity to fund development efforts, and thus ODA remains a vital element in closing the gap between need and available resources.

42. Improving aid efficiency and effectiveness requires strengthening national policies, building institutions and increasing the ability of countries to absorb aid. The donor community must improve coordination and provide technical assistance for the transfer of knowledge. Creating a more favourable trade environment would also improve the ability of countries to financing their own development.

D. Debt relief initiatives for heavily indebted countries

43. Globally, the Heavily Indebted Poor Countries initiative has managed to reduce both the debt stock and debt burden but has not had a great impact, given that it was initially applied to debt levels that were very high by international standards and extremely difficult, if not impossible, to repay. In Latin America, recipient countries showed marked differences in benefits, and still maintained very high debt stocks. Notably, Brazil has supported the initiative, forgiving $1 billion, and has granted debt relief totalling $150 million to other debtors, mainly located in Latin America.

Innovative financing mechanisms

44. Current levels of funding provided by development initiatives such as ODA fall short of the amounts required to meet the internationally agreed development goals. Since developed countries have found it difficult to increase financial flows channelled through ODA, it is being supplemented with new, innovative sources of finance.

E. Global taxes

45. Taxes levied on currency transactions, the arms trade and pollution are currently under discussion. These are double-dividend instruments, collecting revenue for developing economies and providing global public goods. Global taxes entail the participation of both developed and developing countries in raising revenue. In effect, middle-income developing countries become donors in another form of South-South cooperation.

46. The Economic Commission for Latin America and the Caribbean reports that the volume of currency transactions in Latin America is so small that the potential revenue from tax collection would be relatively insignificant. If developed countries were to agree to direct 80 per cent of the revenue on foreign exchange transactions to development cooperation, as has been proposed, the Latin America and the Caribbean region is estimated to receive an amount roughly equivalent to the current level of ODA flows to the region. An arms tax is estimated to bring an amount equivalent to 0.02 per cent of the region's gross domestic product (GDP).

F. Global funds

47. Proposals for global funds include the creation of special drawing rights for development and for the establishment of an International Finance Facility. It is not clear how the Facility, which would focus on low-income countries, would benefit middle-income countries. By contrast, special drawing rights, which could be used by middle-income developing countries, are proposed to be a facility for providing global public goods, including the improvement of the environment, the prevention of disease, an increase in literacy and the provision of humanitarian aid. The Technical Group on Innovative Financing Mechanisms, under the sponsorship of Brazil, Chile, France and Spain, and with the support of the Secretary-General of the United Nations, have introduced the Hunger Fund and the Action against Hunger and Poverty initiative, other good examples of innovative global funds.

IV. Presentations: action to achieve the Millennium Development Goals

48. The annual ministerial review is meant to stimulate action to speed up and scale up the implementation of the internationally agreed development goals, including the Millennium Development Goals. To highlight concrete efforts that could be replicated or refined for other countries or regions, two sessions were held during the regional meeting that provided the opportunity for participants to present best practices for fighting poverty and concrete initiatives against poverty and hunger.

A. Presentations of best practices for fighting poverty

Governments

49. The representative of Jamaica presented a range of social, economic and infrastructural interventions that have succeeded in decreasing poverty in her country. Programmes included school feeding, rural electrification, a national health fund to subsidize the costs of prescription drugs to treat chronic illnesses, resources for street children ("Possibility Programme") and a nationwide social investment fund for poor communities. A micro-investment agency has dispersed more than $222 million in funds, predominantly to women and youth, to finance ventures in agriculture, manufacturing and service delivery. At the subregional level, the poverty eradication efforts of the Caribbean Community were highlighted.

50. The representative of Barbados reported while it has met most of the Millennium Development Goal targets, the Government continues its efforts to eradicate poverty. Initiatives include a comprehensive social safety net; various community programmes for enterprise development, technology and the arts; and special initiatives for social inclusion, including initiatives for persons with disabilities. To combat food insecurity, the Government offers incentives to stimulate and diversify agricultural production. A new strategy for South-South cooperation, with partners including Nigeria and Ghana and facilitated by the United Nations Development Programme (UNDP), was introduced. Barbados expressed the intention to reflect the interests and concerns of the region during its voluntary national presentation to the Economic and Social Council at the annual ministerial review.

51. The representative of the Bolivarian Republic of Venezuela highlighted several of its new social policies in education, food and development. Under the Education for All initiative of the United Nations Educational, Scientific and Cultural Organization (UNESCO), his country had invested 8 per cent of its gross domestic product (GDP) in order to ensure free, mandatory, quality primary education, including programmes to help members of traditionally excluded groups to gain access to higher education. Food distribution programmes have reduced malnutrition and social welfare programmes have redistributed income progressively to reduce inequality. Microcredit loans are available to communities and cooperatives, with a special focus on women, providing new opportunities to the poor. An advocate of South-South cooperation, the Bolivarian Republic of Venezuela is collaborating with several African countries.

52. The representative of Mexico described some national programmes to fight poverty and hunger, among them "Contigo", Mexico's poverty reduction strategy that promotes essential services, human development and economic growth; and "Oportunidades", a conditional cash transfer programme that has decreased gender disparities through support focusing on women with children in primary and secondary school.

Civil society

53. The representative of the Caixa Econômica Federal of Brazil described several activities undertaken by the bank for the integration of public policy, including financial education (developing primers for families in local languages in cooperation with non-governmental organizations), digital inclusion (donating personal computers, funding telecentres, etc.), microcredit services, capacity-building for microenterprises and export of products and assisting low-income families to find housing. Two concrete examples of the efforts of the bank to reduce poverty and hunger were presented. The first, "Projeto Varjadas", was executed with several partners in a rural municipality and was made up of a number of elements, including construction of housing and capacity-building and training for women. The second, "Projeto Fábrica Social", utilized donated sewing machines to train women to produce sheets for hospitals. There were also components of computer skills development.

B. Presentations of concrete initiatives

Governments

54. The representative of Costa Rica proposed the "Costa Rica Consensus", geared to mobilize additional ODA support for low-income and middle-income countries that increase social spending by cutting military expenditures. Costa Rica also proposed establishing an international peace dividend fund that would complement traditional development cooperation funding.

55. The representative of the Ministry of Labour and Employment of Brazil provided an overview of the National Programme of Guided Productive Microcredit (Programa Nacional de Microcrédito Produtivo Orientado (PNMPO)). The scheme, which makes credit available to poor communities to help boost employment through business creation, complements other social programmes in Brazil. Targeted microcredit loans paired with support and training for borrowers result in low levels of default and help recipients graduate out of poverty. The Government of Brazil is working to improve the regulatory framework governing microfinance, in consultation with other stakeholders. Solidarity funding is also being tapped, including through a requirement that 2 per cent of bank deposits in Brazil must be used for microcredit.

United Nations system

56. The representative of World Food Programme (WFP) introduced an initiative entitled, "Towards the eradication of chronic undernutrition among children in Latin American and the Caribbean by 2015", which focuses on strengthening programmes and promoting best practices in tackling this important issue, building on existing national efforts. It also aims to develop a common criteria for national hunger

reduction programmes. In Central America the initiative has received high-level political support and has been followed by related specific national policy developments in eight countries of the subregion. In Andean countries, partnerships for the institutionalization of national initiatives are being strengthened.

V. Recommendations

57. **The regional preparatory meeting made the following recommendations:**

(a) **The countries of the Latin America and the Caribbean region must work to promote high and stable rates of economic growth, which play a key role in the struggle against poverty and hunger;**

(b) **Growth alone is not sufficient to reduce poverty. To combat income inequality, employment generation and decent work must become a higher national policy priority and further progress in mainstreaming equity across public sector policies is critical. Policies that support investment, growth and entrepreneurship are essential to job creation efforts;**

(c) **To mobilize more domestic funds, countries should improve tax collection and raise the tax burden, which is presently relatively low, especially in Latin America;**

(d) **Middle-income countries should play an increased role in South-South cooperation between themselves and with lower-income countries. Doing so should not, however, overshadow their status as recipient nations;**

(e) **Governments of the region should prepare to share strategic and innovative responses to the specific challenges facing their countries at the annual ministerial review of the Economic and Social Council in July 2007.**

VI. Closing of the regional preparatory meeting

58. On behalf of the host Government, Ambassador Vieira Vargas brought the meeting to a close. Poverty and hunger are issues that the United Nations has been trying to solve since its creation. Disparity, vulnerability, instability, threats to democracy, urban violence, poverty and other challenges persist. In recent years, international aid has become more precarious in the Latin America and the Caribbean region, and the international community has lost interest. The region must look within, sharing experiences within Latin America and the Caribbean to determine what social programmes are worth replicating. So many people still need help that policies must have a level of impact consistent with the magnitude of the problem. The substantive session of the Economic and Social Council in July 2007 should not repeat the same analysis of the same problems; it needs to formulate a strategic, comprehensive action for development and to meet the Millennium Development Goals.

Enclosure 1

Panel discussion on "Traditional financing instruments for poverty eradication"

1. While it is well established that all countries bear primary responsibility for their own development, the global partnership for development is indispensable to achieving the development goals. The current view of development finance underscores the importance of scaling up official development assistance (ODA) in order to move forward with basic development objectives. Recognition of this need has not, however, prevented current and expected levels of ODA from falling short of the commitment made in the Monterrey Consensus of 0.7 per cent of the gross national income (GNI) of donor countries.

2. This topic was the subject of the panel discussion, "Traditional financing instruments for poverty eradication", chaired by Minister Ana Cabral Petersen, Ministry of External Relations of Brazil, which also addressed the efficacy and availability of traditional financing instruments. The panel included the experts Rommel Acevedo, Secretary-General of the Latin American Association of Development Financing Institutions (ALIDE); Daniel Titelman, Chief of the Development Studies Unit of the Economic Commission for Latin America and the Caribbean; and Mirela de Carvalho Pereira da Silva, Researcher, Institute of Applied Economic Research (IPEA).

3. The need for greater access to inclusive financial services was highlighted during this panel discussion. In general, financial systems are underdeveloped in the region. Delivering microfinance services to the poor can be an effective way of providing resources and a greater range of options to help them plan for the future and exert more control over their lives and livelihoods. Although there has been significant growth in the microfinance sector in the region, inadequate regulation generally hampers the further development and reach of such services. Public-private alliances aim to strengthen the financial system and improve access to funding.

4. In addition, the panel discussed the fact that growth is not a panacea for poverty. Particularly in countries with unequal distribution of wealth, initiatives to reduce inequality are a more effective way to reduce extreme poverty. It was reported that social programmes, such as the conditional income transfer programmes popular in the region, have a significant impact on poverty levels.

5. Mr. Acevedo provided an overview of trends in microfinance services in the region. Microcredit, which leverages relatively small resources, has proven to lead to large-scale change and has allowed many poor families to break out of poverty by providing the means for the poor to use their entrepreneurial skills. Despite obstacles, such as competition with commercial banks and inadequate or inappropriate industry regulation, microfinance institutions have enjoyed significant growth in Latin America, providing services to an estimated 130 million people, mostly women, through more than 10,000 microfinance institutions.

6. Microcredit can also have a positive impact on individuals and families. In regard to remittances, microfinance institutions can help reduce transaction costs and give the poor more options on how to employ the funds. The poor require capacity-building to ensure that they can effectively utilize the available

microfinance services and can repay loans. In Latin America, most microfinance services are located in urban areas, and more effort is needed to bring this option to the rural poor. In view of the significant contribution of these institutions to social and economic development, new sources of funding should be directed to them to make the provision of their services more widespread and sustainable.

7. Mr. Titelman underscored the need to develop and strengthen inclusive financial markets in order to further the mobilization of domestic resources to stimulate growth and combat poverty and hunger. The poor should be provided with financial services on a consistent basis, not only during financial emergencies. Financial systems in the region are not well developed in general; they are predominantly short-term markets, capital markets are simple, and they move cyclically rather than counter-cyclically, which is what is needed to contribute to sustainable development.

8. Only about 30 per cent of the entire population has access to financial services, and there is considerable inequality in access within countries; however, microfinance services are expanding. In 2005, there were more than 6 million microloans and the assets of microfinance institutions had reached $5 billion. Public-private alliances promise to strengthen the financial system and improve access to funding. A growing array of financial institutions is beginning to offer microfinance services, contributing to broaden access. The level of access of the poor to financial services in the region is nevertheless very low.

9. In the discussion that followed their presentations, Mr. Acevedo and Mr. Titelman also addressed the regulatory status of microfinance institutions. Regulation varies among countries, but in general regulations specific to microfinance are lacking. It is critical that microfinance regulations ensure solvency and prudence without imposing penalties on such institutions or creating unnecessary obstacles. Non-governmental organizations trying to reformulate themselves as microfinance institutions find some regulatory systems too constraining, expensive, risky and inflexible. Specifically, changes in regulations are needed to permit collaboration between microfinance institutions and commercial banking institutions.

10. Ms. Carvalho presented the outcome of a report examining the difference in the impact of economic growth policies versus measures to decrease inequality on poverty eradication — a relevant question in light of the high incidence of inequality within Latin America. In the Central American subregion, the study found that growth is more effective in combating poverty than extreme poverty, whereas a decrease in inequality is more effective in reducing extreme poverty. In addition, the benefits of growth policies appear to be greater in low-income countries, while reducing inequality is more beneficial in middle-income countries with unequal income distribution. The conditional income transfer programmes that have become popular in the Latin America and the Caribbean region fight poverty by decreasing inequality. Under normal circumstances, growth and the decrease of inequality occur simultaneously. Hence, calculating the substitution rate of inequality for growth, the study concluded that different countries will find different combinations of growth and inequality strategies that will have the greatest impact on poverty reduction. The report found that remittances, which have a measurable impact on poverty, can also increase inequality, as they are usually sent to wealthier families.

Recommendations

11. The panel made the following recommendations:

(a) Governments should implement combinations of growth policies and inequality reduction policies that maximize poverty reduction;

(b) Policy interventions should aim to widen the social welfare net to include more recipients rather than increase payouts to existing recipients in order to accelerate progress towards meeting the Millennium Development Goal 1 target on poverty reduction;

(c) Access by the poor to inclusive financial services must be drastically improved in order to provide financial tools to citizens that they can draw upon to lift themselves out of poverty. Public-private partnerships in this sector should be pursued;

(d) Governments must create a regulatory environment conducive to the formalization and growth of microfinance institutions. Regulations must be adjusted to allow non-governmental organizations to take part in microfinancing activities, thereby increasing access for the poor to financial services. Regulations should also allow financial services to become more diversified and to permit the collaboration between microfinance institutions and commercial banking institutions;

(e) Microfinance institutions need to develop liquidity instruments and risk management tools for the use of the poor in order to ensure the sustainability of their livelihoods.

Enclosure 2

Panel discussion on "Innovative sources of financing for poverty eradication"

1. In view of the fact that official development assistance (ODA) commitments are still unmet, new proposals for innovative ways of financing development and supplementing ODA flows are being devised. In general, these new financing mechanisms comprise a wide variety of instruments, ranging from the implementation of global taxes to global funds and private voluntary donations. The new instruments, unlike traditional ODA, do not rely exclusively on the unrequited transfer of funds from donor countries to recipient countries; global taxes, for example, entail the participation of both developed and developing countries in raising revenue. In effect, middle-income developing countries become donors. Even though this is a welcome change, inasmuch as it promotes South-South cooperation, it must not overshadow the status of middle-income countries as recipient nations.

2. This topic was the subject of the panel discussion, "Innovative sources of financing for poverty eradication", chaired by Nikhil Seth, Director, Office for Economic and Social Council Support and Coordination of the Department of Economic and Social Affairs. The panel, which examined the need for and identified various innovative financing mechanisms, consisted of Dr. Ricardo Ffrench-Davis, Representative of the President of Chile in the Action against Hunger and Poverty initiative and consultant for the Economic Commission for Latin America and the Caribbean, and Ana Peliano, Director of Social Policies of the Institute of Applied Economic Research.

3. The panel highlighted a variety of sources of funding beyond ODA and debt relief. These ranged from global tools such as special drawing rights to country-level activities to increasing the levels of revenue generated through tax collection. The growing role of private companies as a significant source of funding for social programmes was also examined.

4. Dr. Ffrench-Davis warned that the Latin America and the Caribbean region remains susceptible to financial crisis and should continue to manage the risk through counter-cyclic mechanisms. For example, special drawing rights at the International Monetary Fund (IMF) would ensure funding in time of need. Regional cooperation is necessary, especially to cope with crises. Improving tax systems to increase collection of revenue and to prevent evasion would help in mobilizing more domestic finance; and utilizing progressive taxation would benefit the poor. To reduce tax evasion, international agreements are necessary, as is the cooperation of offshore financial centres to ensure that they offer only legitimate financial services. The Organization for Economic Cooperation and Development (OECD) and the United Nations are working on this issue.

5. Furthermore, funds supplemental to ODA should be generated through North-South cooperation. Successful examples have been spawned in the region, notably the Action against Hunger and Poverty initiative of President Lula da Silva of Brazil supported by several other Heads of State, and schemes to generate innovative sources of financing for development through solidarity funding, such as the International Drug Purchase Facility (UNITAID), which raises funds through a tax on airline tickets. Dr. Ffrench-Davis encouraged middle-income and upper-middle-

income countries in the region to consider joining the partnership. Remittances have also increased in importance as a source of income in the region, and it is crucial that recipients gain improved access to microfinance, especially to encourage entrepreneurship. Micro, small and medium-sized enterprises can help generate economic growth that benefits the poor.

6. Mrs. Peliano shared the outcomes of research into social action by private enterprises, a movement that took root in Brazil in the 1990s and has been growing ever since. Corporate social responsibility programmes are welcome sources of additional funding for development. The latest survey found that 69 per cent of companies responding worked on a voluntary basis with communities, spending $1.6 billion in 2004. The programmes were predominantly in food and social welfare, often responding to emergency situations and pursuing "good neighbour" policies, particularly in supporting education and other services to children. The survey found that companies sometimes cooperated with non-governmental organizations and, less frequently, with government agencies. Private sector initiatives are often informal and could benefit from greater organization.

7. Corporate social responsibility initiatives appear to be on a path of continued growth in Brazil, as indicated by the expected growth in the activity of more companies and wider geographic distribution. There is no evidence to suggest that the Government is shifting its responsibility for its citizens to the private sector, but rather, to the contrary, that efforts by the Government and the private sector are increasing in parallel. Not all firms actively contribute; a third of the respondents felt they performed their role by paying taxes and providing jobs, but 43 per cent of firms surveyed planned to expand their efforts in this field. It was reported that fiscal incentive programmes, such as tax credits, which exist to encourage firms to contribute, are used by only 2 per cent of companies. Indeed, motivation for engaging in corporate social responsibility is complex, incorporating both humanitarian and corporate interests.

8. During the interactive discussion, Mrs. Peliano explained that tax breaks are available to companies for many, although but not all, of their corporate social responsibility activities, including supporting cultural activities. She noted that companies take advantage of very few tax breaks, for several reasons, including that they are too small to be worth the effort to apply, that they are not aware of the incentives or because they view such measures as a private use of public resources.

Recommendations

9. **The panel made the following recommendations:**

(a) **Counter-cyclic aid mechanisms must be available to developing countries to permit them to manage the risks presented by a financial crisis. Special drawing rights should be issued in funding facilities that provide resources to developing nations that face currency crises due to external shocks in trade or finance;**

(b) **International agreements are necessary to reduce tax evasion and national Governments must strengthen national tax systems in order to mobilize more domestic resources;**

(c) **Private sector corporate social responsibility initiatives require greater coordination to improve their effectiveness.**